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EXCISE *DEL*

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INQUIRE=DOC19D

ITEM NO=00108398

ENVELOPE

CDSN = LGX226 MCN = 92250/07514 TOR = 922501154

RTTCZYUW RUEKJCS6163 2501157-CCCC--RUEALGX.

ZNY CCCCC

HEADER

R 061157Z SEP 92

FM JOINT STAFF WASHINGTON DC

INFO RUEADWD/OCSA WASHINGTON DC

RUEAHQA/CSAF WASHINGTON DC

RUEADWD/PTC WASH DC

RUFGAID/USEUCOM AIDES VAIHINGEN GM

RHDLONE/CINCUSNAVEUR LONDON UK//N2/N22//

RHHMMCJ/JICPAC HONOLULU HI

RHCGSRB/COMUSARCENT FT MCPHERSON GA//AFRD-DSO//

RUEOACC/CDRPSYOPGP FT BRAGG NC//AORC-POG-SB//

RUWSMXI/AMC INTEL CEN SCOTT AFB IL//IN//

RUCJACC/USCINCCENT MACDILL AFB FL//CARA//

RUCQVAB/USCINCSOC INTEL OPS CEN MACDILL AFB FL

RUQYSDG/FOSIF ROTA SP

RUEOFAA/COMJSOC FT BRAGG NC//J2//

RULKQAN/MARCORINTCEN QUANTICO VA

RUSNNOA/USCINCEUR VAIHINGEN GM

RUEALGX/SAFE

R 061135Z SEP 92

FM AMCONSUL DHAHRAN

TO RUEHC/SECSTATE WASHDC 2134

INFO RUEHRH/AMEMBASSY RIYADH 4284

RUEHJI/AMCONSUL JEDDAH 7619

RUFHFR/AMEMBASSY PARIS 0609

RUFHLD/AMEMBASSY LONDON 1702

RUEHKO/AMEMBASSY TOKYO 0002

RUFHOL/AMEMBASSY BONN 0216

RUEHJM/GCC COLLECTIVE

RUEATRS/TREASURY WASHDC

BT

CONTROLS

C O N F I D E N T I A L SECTION 01 OF 02 DHAHRAN 01420

E.O. 12356: DECL: OADR

/***** THIS IS A COMBINED MESSAGE *****/

BODY

TAGS: EFIN, SA

SUBJECT: EASTERN PROVINCE REACTION TO BIN MAHFOUZ
INDICTMENT QUIET AND PUZZLED; NCB GOING PUBLIC?

REF: RIYADH 5396

1. CONFIDENTIAL - ENTIRE TEXT.

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DEPARTMENT OF STATE

IS/FPC/CDR

Date. *9/8/94*

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☒ EXCISE ☒ DECLASSIFY
☐ DENY IN PART
☐ DELETE Non-Responsive Info
FOIA Exemptions *B1*
PA Exemptions

MR Cases Only:
EO Citations

TS authority to:
☐ CLASSIFY as ☐ S or ☐ C OADR
☐ DOWNGRADE TS to ☐ S or ☐ C OADR

2. SUMMARY: EASTERN PROVINCE BUSINESSMEN AND BANKERS SAY THAT THERE HAS BEEN VERY LITTLE LOCAL REACTION TO THE BIN MAHFOUZ INDICTMENT THOUGH THERE HAVE BEEN INQUIRIES ABOUT THE SOUNDNESS OF THE BANK FROM FOREIGN FIRMS. NO ONE FEELS THAT THE NATIONAL COMMERCIAL BANK IS ON SHAKY GROUND. TWO PROMINENT BUSINESSMEN HAVE TOLD US THAT THE PRIVATELY OWNED BANK WILL ANNOUNCE ITS FIRST PUBLIC SHARE OFFERING WITHIN (ABOUT) THE NEXT TWO MONTHS. END SUMMARY.

3. THE ANNOUNCEMENT THAT KHALID BIN MAHFOUZ, THE CEO OF NATIONAL COMMERCIAL BANK, THE LARGEST SAUDI BANK, HAD BEEN INDICTED IN CONNECTION WITH THE BCCI SCANDAL HAS HAD LITTLE RESONANCE IN THE EASTERN PROVINCE ECONOMY. BANKING AND BUSINESS CONTACTS HAVE TOLD US THAT THEY HAVE NOT SEEN ANY SIGNIFICANT TRANSFERS OF FUNDS OUT OF NCB IN THE PROVINCE.

4. REACTION AMONG EASTERN PROVINCE BUSINESSMEN AND BANKERS TO THE ANNOUNCEMENT HAS BEEN MUTED. IN GENERAL, THE SAUDI BUSINESS VIEW IS THAT WHILE NCB IS AN OLD FASHIONED BANK AND PROBABLY NOT MANAGED WITH MODERN INTERNATIONAL STANDARDS, THEY ARE NOT WORRIED ABOUT THE ULTIMATE SECURITY OF THE BANK; MOREOVER, THEY RELY ON ITS HIGH LEVEL CONTACTS AND ON THE SAUDI MONETARY AGENCY TO SEE IT THROUGH ANY DIFFICULTIES, IF THEY ARISE.

5. HOWEVER, QUESTIONS ABOUT THE BANK'S SOUNDNESS SEEM TO BE COMING FROM INTERNATIONAL FIRMS RATHER THAN FROM THE SAUDIS.

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A REPRESENTATIVE OF A MAJOR INTERNATIONAL BANK TOLD US THAT HE BELIEVED NCB TO BE A "GOOD" BANK IF SOMEWHAT ECCENTRIC; HE CONFIRMED THAT THERE HAD BEEN SOME NERVOUSNESS AMONG OTHER "INTERNATIONAL" BANKS.

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HE ALSO WONDERED HOW BIN MAHFOUZ HAD GOTTEN TANGLED UP IN THE BUSINESS AND SPECULATED THAT HE HAD NOT HAD GOOD LEGAL COUNSEL.

7. SOME WELL-PLACED SAUDI BUSINESSMEN HAVE ALSO EXPRESSED PUZZLEMENT THAT KHALID BIN MAHFOUZ COULD HAVE GOTTEN CAUGHT UP IN THE BCCI SCANDAL, STATING THAT HE IS A SAVVY, SMART MAN WITH NO REASON TO CHEAT. ONE FELT THAT THE U.S. MEDIA IS EXAGGERATING THE AFFAIR; A FEW HAVE RELATED CONSPIRACY THEORIES, SEEING IT AS AN EXAMPLE OF ANTI-ARAB SENTIMENT IN THE U.S.

8. TWO PROMINENT SAUDI BUSINESSMEN WITH BANKING CONNECTIONS HAVE TOLD US THAT THEY EXPECT NCB TO MAKE AN ANNOUNCEMENT OF A PUBLIC SHARE OFFER (AFTER SUBMITTING LONG-AWAITED FINANCIAL STATEMENTS ONLY TO THE MINISTRY OF FINANCE) WITHIN THE NEXT TWO MONTHS. THE OFFER WOULD BE FOR 50 MILLION SHARES AT 500 SAUDI RIYALS EACH WITH A MINIMUM PURCHASE OF 15 SHARES. ACCORDING TO ONE SOURCE, THE CURRENT OWNERS WOULD RETAIN FIFTY PERCENT OF THE OWNERSHIP AFTER THE

/***** BEGINNING OF SECTION 002 *****/
PUBLIC OFFER.

9. COMMENT: WHILE THE TIMING IS CONVENIENT, IT IS NOT CERTAIN THAT THE SHARE OFFER IS IN REACTION TO THE INDICTMENT. THE SAUDI STOCK MARKET IS STILL HEALTHY AND THERE IS A HIGH LEVEL OF PRIVATE SECTOR LIQUIDITY, MAKING THIS A GOOD TIME TO OFFER STOCK TO THE PUBLIC. ALSO AMEMBASSY RIYADH NOTES THAT THEY HAVE SEEN NO INDICATION THAT NCB IS READY TO RELEASE A FINANCIAL STATEMENT, A STEP THAT WOULD HAVE TO OCCUR BEFORE A SHARE OFFERING COULD TAKE PLACE. END COMMENT.

BREW

ADMIN
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